

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: October 18, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Foundation.
Y= School
Z= Clty

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to provide scholarships to students who can no longer afford, or cannot afford tuition to Y.

The purpose of X is to provide scholarships. More specifically the organization will:

Provide tuition assistance for students of Y in Z. The amount of the scholarships will be determined by the selection committee on an annual basis based on the annual budget and funding arrangements.

The program will be publicized by word-of-mouth and by an email to the parents of students enrolled at Y notifying them that the window to apply for the scholarships is open. There will also be a link to the scholarship application for the program on the school's website.

The specific criteria that will be used to determine who is eligible for the program is as follows:

- (i) families who currently have children enrolled in Y but have decided to withdraw their child(ren) due to financial challenges;
- (ii) families who are being recruited to enroll their child(ren) in Y because they have expressed an interest but have not explored the opportunity due to financial concerns.

The specific criteria to determine scholarship recipients will be as follows: individuals from the pool described above, will be selected on the basis of

- (i) financial need and
- (ii) recommendations from an independent pool of school faculty members.

X will pay grants directly to Y under an arrangement whereby the school will apply the grant funds only for enrolled students who are in good standing.

The selection committee for the scholarships made under the program will consist of the current Pastor of Y, the Principal of Y, and the financial advisor of X. Criteria for committee membership will consist of holding one of the aforementioned positions. If a person resigns or is removed from one of these positions, he or she will be replaced by the new person holding this position.

You attested that you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You attested that relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You attested that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee

are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You attested that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).

- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements